

Message Text

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ACTION EA-10

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C O N F I D E N T I A L SEOUL 3424

SECSTATE PASS ERDA GERMANTOWN AND EXIM

E.O. 11652: GDS

TAGS: ETRD PARM MNUC TECH KS

SUBJECT: GENERAL ELECTRIC PROPOSAL FOR NUCLEAR POWER PLANTS AND
TECHNOLOGY ASSISTANCE PROGRAMS

REF: A SEOUL 2760, B SEOUL 2484, C SEOUL 1089

1. SUMMARY: ON MAY 7-8, 1979 GENERAL ELECTRIC REP PRESENTED PROSPECTUS FOR SALZROF NUCLEAR POWER PLANTS AND TECHNOLOGY ASSISTANCE TO KEY ROK GOVERNMENT AND UTILITY OFFICIALS. THE PROSPECTUS INCLUDED GE PROPOSALS FIRST REPORTED REF C FOR COORDINATED PROGRAMS TO SUPPLY AS MANY AS FOUR BOILING WATER UNITS AND FOR EXTENSIVE ASSISTANCE IN THE TRANSFER OF REACTOR OPERATING TECHNOLOGY TO ROK. THE PROSPECTUS ADDRESSES ITSELF TO NUCLEAR POWER UNITS 5-8 BUT ALLOWS THAT CONSTRUCTION OF THE GE UNITS COULD BE COMPLETED PRIOR TO REACTOR NUMBERS 3 AND 4 - THE PROJECTED CANDU UNITS. THIS INITIAL GE PROPOSAL WAS APPARENTLY WELL RECEIVED, AND WHILE NO FIRM COMMITMENTS WERE OBTAINED, NONE WERE ANTICIPATED AT THIS STAGE. GE CAN BE EXPECTED TO FOLLOW UP WITH AGGRESSIVE MARKETING AND HAS REQUESTED USG SUPPORT FOR THESE ACTIVITIES. END SUMMARY.

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2. GENERAL ELECTRIC TOKYO-BASED MARKETING REP MR. COS

SFIKAS PRESENTED ON MAY 7-8 HIS FIRM'S "PROSPECTUS FOR BOILING WATER REACTOR NUCLEAR POWER PLANTS," DATED APRIL 30, 1975, TO KEY ROK GOVERNMENT AND UTILITY (KOREA ELECTRIC CO.) OFFICIALS. THE PROPOSAL ADDRESSES ITSELF NOT ONLY TO THE ROK'S ANTICIPATED NUCLEAR POWER GENERATION NEEDS - NINE PLANTS PRODUCING 6595 MW OF POWER OR 40 PERCENT OF THE ANTICIPATED 1986 CAPACITY - BUT ALSO TO THE ROK DESIRE TO DEVELOP ENERGY TECHNOLOGICAL CAPABILITY THROUGH TRAINING AND TECHNICAL ASSISTANCE. THE GE PROGRAM WAS DEVELOPED AFTER DETAILED CONVERSATIONS WITH ROK OFFICIALS, AND IS DESIGNED TO OFFER MAXIMUM SUPPORT TO THE ROK REQUIREMENTS. GE, IN MAKING THE PROPOSAL, ASSEMBLED WHAT APPEARS TO BE AN IMPRESSIVE INTEGRATED ENGINEERING/CONSTRUCTION/EQUIPMENT SUPPLIER MULTI-CORPORATE TEAM, TO INCLUDE: EBASCO SERVICES, INC. (PLANT DESIGN, EQUIPMENT PROCUREMENT), BROWN AND ROOT, INC. (CONSTRUCTION ENGINEERING AND MANAGEMENT), AND GENERAL ELECTRIC CO. (OVERALL PROJECT MANAGEMENT, NUCLEAR STEAM SUPPLY SYSTEM, NUCLEAR FUEL, TURBINE GENERATOR, LICENSING SUPPORT, TRAINING, TECHNICAL DIRECTION). THE ABOVE JOINT VENTURE, WITH GE AS LEAD PARTNER, HAS BEEN ASSEMBLED SOLELY FOR THE ROK OPERATION. THE TRAINING OF ROK TECHNICIANS WILL BE THE RESPONSIBILITY OF GE BUT ALL THREE PARTNERS WILL PARTICIPATE IN TECHNOLOGY TRANSFER.

3. THE GE PROPOSAL OFFERS NUCLEAR UNITS 5, 6, 7 AND 8, "IRRESPECTIVE OF THE PROJECTED COMMERCIAL OPERATION DATES FOR UNITS 1 THROUGH 4." (EMBASSY NOTE: UNITS 1 AND 2 ARE WESTINGHOUSE-BUILT PRESSURIZED WATER REACTORS DESIGNATED KORI I AND II AND ARE SCHEDULED TO BEGIN COMMERCIAL OPERATION IN JULY 1977 AND LATE 1979 RESPECTIVELY. UNITS 3 AND 4 ARE TENTATIVELY THE CANDU HEAVY-WATER UNITS, SCHEDULED TO BEGIN OPERATIONS CIRCA 1981. UNIT 3 APPARENTLY WILL BE CONTRACTED FOR IN MAY 1975 WHILE UNIT 4 REMAINS ONLY A PROJECTED ACQUISITION. SEE REF A FOR MOST RECENT COMMENTS RE CANDU).

4. THE FOUR GE UNITS ARE OFFERED ON THE BASIS OF COMMON DESIGN AND PLANT REPLICATION WITH TWO SETS OF TWIN UNITS, EACH SET COLOCATED AND SHARING A COMMON RADWASTE FACILITY. REACTOR SYSTEM WILL BE BWR/G COUPLED TO 800 MW-RATED
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GENERATOR SYSTEM. CONSTRUCTION IS OFFERED ON BASIS OF 60-MONTH CYCLE FROM START TO COMMERCIAL OPERATION OF FIRST UNIT, SUBSEQUENT UNITS IN PROGRAM TO FOLLOW AT ONE-YEAR INTERVALS. IN ESTIMATING PLANT COSTS GE PROSPECTUS PROVIDES BALLPARK ESTIMATE THAT PROJECT BEGINNING IN LATE 1975 OR EARLY 1976 WITH FIVE-YEAR CONSTRUCTION CYCLE WOULD COST \$400 MILLION (PLANT CAPITAL COSTS ONLY). COST ESCALATION, INTEREST DURING CONSTRUCTION AND CONTINGENCY

FUNDING WOULD AS MUCH AS DOUBLE THE END COST BUT GE AVOIDS ANY SPECIFIC FIGURE.

5. ALTHOUGH GE RETAINS OVERALL RESPONSIBILITY FOR PROJECT ORGANIZATION AND MANAGEMENT, IT HAS MADE SERIOUS EFFORT, IN RESPONSE TO KOREAN DESIRES, TO INCLUDE AS MUCH KOREAN PARTICIPATION AS WILL BE POSSIBLE. GE STATES THAT OVERALL PROJECT WILL UTILIZE EXISTING KOREAN ABILITIES AND SEEK TO IMPART NEW ONES AS OFFSHOOT OBJECTIVE. KOREAN ROLE WILL INCLUDE SUPPLY SOURCES (CONSTRUCTION MATERIALS/PLANT EQUIPMENT), DESIGN PARTICIPATION (WORK ASSIGNMENTS IN US AVAILABLE WITH ALL THREE US FIRMS, POSSIBILITY OF DESIGN SUB-CONTRACTING WITH KOREAN FIRMS), AND LOCAL PARTICIPATION (LOCAL INDUSTRY TAPPED FOR SKILLS, OPERATOR TRAINING, ETC.). THUS GE TAKEN STEPS TO AVOID "TURNKEY" LABEL BY CATERING TO ROK WISHES FOR EXTENSIVE PARTICIPATION.

6. MR. SFIKAS REPORTED THAT HIS PROSPECTUS WAS WELL RECEIVED BY ALL ROK PARTIES, BUT HE DID EXPRESS CONCERN THAT OTHER OFFERS (ENGLISH, FRENCH, AND GERMAN) FOR NUCLEAR POWER PLANTS WERE ON THE TABLE AND APPARENTLY ENJOYING THE SUPPORT OF THEIR RESPECTIVE EMBASSIES. OF IMMEDIATE CONCERN WAS A WEST GERMAN OFFER TO BUILD NUCLEAR PLANT NO. 5, APPARENTLY WITH MIXED PUBLIC/PRIVATE FINANCING GUARANTEES.

7. COMMENT: GE HAS ASSEMBLED AND LAID BEFORE ROK A PROPOSAL THAT WOULD APPEAR TO OFFER THEM MUCH OF WHAT THEY REQUIRE IN A NUCLEAR PROGRAM- EXCEPT FOR THE FINANCIAL PACKAGE TO BACK IT UP. THE ROKS CONTINUE TO PLAY ONE SUPPLIER AGAINST ANOTHER AND IT IS POSSIBLE THAT ROKS DEMAND THAT GE PRESENT PROPOSAL BY FIRST WEEK IN MAY HAS SOME CONNECTION WITH EARLY MAY TRIP TO CANADA BY ROK UTILITY OFFICIALS TO NEGOTIATE FINAL CANADIAN CONTRACT (REF B). SIMILARLY, ROKS COMMENT TO CONFIDENTIAL

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GE THAT OTHER NATIONS READY TO COME INTO RUNNING FOR KOREAN NUCLEAR PLANT SALE MAY BE RUSE DESIGNED TO Elicit ADDITIONAL CONCESSIONS OR MORE RAPID ACTION FROM GE GROUP. EMBASSY UNDERSTANDS THAT GE FACES NO US COMPETITION FOR THESE UNITS (WESTINGHOUSE IS APPARENTLY CONTENT WITH ITS EXISTING TWO CONTRACTS) BUT DOES NOT RULE OUT EUROPEAN COMPETITION FOR THESE UNITS, ESPECIALLY IF CONSTRUCTION IS DELAYED UNTIL LATE 1970'S.

8. EMBASSY WILL CONTINUE TO SUPPORT AMERICAN INTERESTS AND WILL KEEP THE DEPARTMENT INFORMED OF FURTHER DEVELOPMENTS. WOULD WELCOME COMMENTS AND GUIDANCE.
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